

**THE OFFICE OF REGULATORY STAFF  
SURREBUTTAL TESTIMONY & EXHIBITS**

**OF**

**DANIEL F. SULLIVAN**

**May 15, 2018**



**DOCKET NO. 2016-384-S**

**Application of Moore Sewer, Incorporated for  
Adjustment of Rates and Charges and Modification  
To Certain Terms and Conditions for the Provision of  
Collection-Only Sewer Service**

**SURREBUTTAL TESTIMONY AND EXHIBITS OF  
DANIEL F. SULLIVAN  
ON BEHALF OF  
THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF  
DOCKET NO. 2016-384-S  
IN RE: APPLICATION OF MOORE SEWER, INCORPORATED FOR  
ADJUSTMENT OF RATES AND CHARGES AND MODIFICATION TO  
CERTAIN TERMS AND CONDITIONS FOR THE PROVISION OF  
COLLECTION-ONLY SEWER SERVICE**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

**A.** My name is Daniel F. Sullivan. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the South Carolina Office of Regulatory Staff ("ORS") as the Deputy Director of the Audit Department.

**Q. ARE YOU THE SAME DANIEL SULLIVAN WHO PRESENTED DIRECT TESTIMONY IN THIS DOCKET?**

**A.** Yes. I pre-filed direct testimony reflecting ORS's findings in this proceeding on April 27, 2018.

**Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

**A.** The purpose of my surrebuttal testimony is to respond to certain issues raised in the rebuttal testimony of Moore Sewer, Inc. ("Moore Sewer" or "Company") witness Janet Teichman regarding the Company's rent expense and interest expense.

**Q. PLEASE DESCRIBE HOW THE COMPANY CALCULATED ITS PROPOSED ANNUAL RENT EXPENSE.**

1     **A.**           ORS in its First and Continuing Audit Information Request for Records and  
2           Information, Request 1-17, asked the Company to “please provide the methods, basis, and  
3           any documentation supporting the allocation of plant in service, office space, salaries,  
4           interest expense and any other expenses between subsidiaries, parent, or affiliated  
5           companies. Information should include square footage, customer units, time sheets, or  
6           other data needed to support the allocation.” The Company’s response to Request 1-17  
7           related to allocation of office space is included as Surrebuttal Audit Exhibit DFS-1. The  
8           response indicates 254 square feet of the Teichman’s personal home and outdoor storage  
9           area is used by Moore Sewer at a monthly cost of \$1,277.50, or \$5.03 per square foot. The  
10          annualized rent expense proposed by the Company is \$15,330.

11    **Q.    DOES ORS AGREE WITH THE COMPANY’S POSITION REGARDING RENT**  
12    **EXPENSE AS PROPOSED BY MRS. TEICHMAN IN HER REBUTTAL**  
13    **TESTIMONY?**

14    **A.**           No.

15    **Q.    PLEASE DESCRIBE HOW ORS CALCULATED ITS PROPOSED RENT**  
16    **EXPENSE OF \$3,720.**

17    **A.**           ORS used LoopNet.com on February 15, 2018 to search for office property for  
18           lease in the Moore/Spartanburg, SC area to determine a reasonable rental price per square  
19           foot. ORS found six office properties for lease in the area and has included these listings  
20           as Surrebuttal Audit Exhibit DFS-2. ORS used the rental price and square footage of these  
21           listings to determine an average rental price per square foot of \$1.22. ORS then multiplied  
22           the 254 square feet of rental space proposed by the Company by the average rental price

per square foot of \$1.22, to calculate a monthly rent expense of \$310, and a yearly rent expense of \$3,720. See the table below:

Office Rental Address	Rental Price	Square Footage	Price/Sq. Ft
1090 Boiling Springs Rd. Spartanburg, SC 29303	\$ 1,300	1,500	\$ 0.87
1116 E Blackstock Rd. Moore, SC 29369	\$ 1,200	2,550	\$ 0.47
841 E Main St. Spartanburg, SC 29302	\$ 1,250	900	\$ 1.39
141-149 Metro Dr. Spartanburg, SC 29303	\$ 1,250	1,250	\$ 1.00
251 Magnolia Street Unit 1 Spartanburg, SC 29306	\$ 700	425	\$ 1.65
251 Magnolia Street Unit 2 Spartanburg, SC 29306	\$ 350	180	\$ 1.94
Average Price/Sq. Ft.			\$ 1.22
Sq. Ft. of Rental Space			254
Monthly Rent Expense			\$ 310
# of Months			12
Annual Rent Expense			\$ 3,720

Mrs. Teichman in her rebuttal testimony indicated there is a 1,090 square foot office space for rent two to three houses down from her home for a total of \$1,354.18 per month, or \$16,250.16 annually. The address for the office space is 1060 Boiling Springs Rd. Spartanburg, SC 29303. ORS has included an office rental 0.2 miles away at 1090 Boiling Springs Rd. in the calculation of ORS's proposed rent expense. As displayed in the chart above, this listing rents for \$0.87 per square foot.

Mrs. Teichman also indicated in her rebuttal testimony that renting only a portion of the office space at 1060 Boiling Springs Rd. is not an option, and therefore, determines that the total amount of \$16,250.16 to rent 1,090 square foot justifies \$15,330 of rental expense paid by Moore Sewer for 254 square foot. ORS does not agree. The office space discussed in her rebuttal testimony calculates to a rent expense of \$1.24 per square foot per month, which is only a difference of \$.02 per square foot from the average price per square foot calculated by ORS. This further demonstrates that ORS's calculation of an average price per square foot of \$1.22, monthly rent expense of \$310, and a yearly rent expense \$3,720 for Moore Sewer for office space is reasonable.

1 **Q. PLEASE DESCRIBE HOW THE COMPANY CALCULATED ITS PROPOSED**  
2 **INTEREST EXPENSE.**

3 **A.** The Company proposed to adjust interest expense by \$18,115 reflecting a 3.0%  
4 interest rate on two notes payable totaling \$603,819. The notes payable consist of a  
5 shareholder note payable for \$41,510 and a \$562,309 note payable to Operation Drains,  
6 Inc.

7 **Q. PLEASE DESCRIBE THE SUPPORT DOCUMENTATION THE COMPANY**  
8 **PROVIDED TO ORS FOR THE \$603,819 OF NOTES PAYABLE.**

9 **A.** ORS requested a copy of the loan agreement between William Teichman and the  
10 Company for the \$41,510 shareholder note payable. The Company's response stated that  
11 ORS would need to contact the Company's accountant for details about the note payable.  
12 The Company's accountant stated no payments had been made on the loan and he believed  
13 that the note payable was taken out for capital improvements. ORS did not receive a copy  
14 of the loan agreement.

15 ORS requested the Company explain and provide documentation detailing what the  
16 proceeds of the \$562,309 note payable were used for. The Company stated that the value  
17 received by Moore Sewer and provided by Operation Drains, Inc. was used for numerous  
18 services including installation of elder valves by Operation Drains, Inc., required repairs  
19 performed by Operation Drains Inc., and to pay costs necessary to close the lagoon. The  
20 Company also stated that in addition to reimbursing costs to close the lagoon, the purpose  
21 of the notes payable was to reimburse unpaid costs to maintain and repair the sewer system.

22 The Company provided ORS a summary statement dated July 31, 2006 from  
23 Operation Drains, Inc. to Moore Sewer detailing charges for work performed from the

1 years of 2004 to 2006. The statement also detailed finance charges billed to Moore Sewer  
2 due to lack of payment. The statement, attached as Surrebuttal Audit Exhibit DFS-3,  
3 showed a total amount due of \$391,064 of which \$46,132 was billed as finance charges.  
4 The Company stated that there was additional work performed by the Operations Drains,  
5 Inc., but there were no invoices prepared for the work at that time.

6 **Q. DOES ORS AGREE WITH THE COMPANY'S POSITION REGARDING**  
7 **INTEREST EXPENSE AS PROPOSED BY MRS. TEICHMAN IN HER**  
8 **REBUTTAL TESTIMONY? IF NOT, PLEASE EXPLAIN WHY.**

9 **A.** No. ORS recognizes that Operation Drains, Inc. performed numerous services for  
10 the Company. The note payable between Operation Drains, Inc. and Moore Sewer was  
11 essentially established as a repayment plan in February 2010 because the Company did not  
12 pay Operation Drains, Inc. for the extensive work performed. As a result of the Company  
13 not making payments, additional late payment finance charges were assessed creating a  
14 higher balance owed to Operation Drains, Inc. In addition to the finance charges assessed  
15 by Operation Drains, Inc. and included in the balance owed, the Company is proposing to  
16 recover 3.0% interest on the balance of the note payable.

17 As stated in my direct testimony and confirmed in the rebuttal testimony of Mrs.  
18 Teichman, the Company has not made payments on the notes payable. It is ORS's position  
19 that the Company should not receive recovery of an expense from rate payers that the  
20 Company did not pay for. In addition, the Company should not recover interest expense  
21 from rate payers for loans the Company is not repaying.

**Q. IF THE COMMISSION WERE TO ALLOW THE COMPANY RECOVERY OF INTEREST EXPENSE, WHAT WOULD BE ORS'S RECOMMENDED INTEREST EXPENSE?**

**A.** If the Commission were to allow the Company recovery of interest expense, ORS would recommend the use of interest synchronization to calculate allowable interest expense. Using the rate base of \$177,799 calculated on ORS Audit Exhibit DFS-1, a hypothetical 50% debt and 50% equity capital structure, and the Company's proposed 3.0% interest rate as the weighted average cost of debt, the Company's synchronized interest expense would be \$2,667. The details of this calculation are shown on Surrebuttal Audit Exhibit DFS-4.

**Q. WHY DOES ORS PROPOSE THE COMMISSION USE INTEREST SYNCHRONIZATION TO CALCULATE INTEREST EXPENSE?**

**A.** This method allows a utility to recover financing costs by synchronizing its interest expense with the debt portion of its rate base. This method also prevents a utility from recovering from ratepayers interest on funds borrowed for reasons other than financing rate base related costs.

**Q. HAS THIS METHOD OF CALCULATING INTEREST EXPENSE BEEN APPROVED BY THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA ("PSC" OR "COMMISSION") IN THE PAST?**

**A.** Yes. It is important to note that at one time the Commission did not allow water and/or sewer utilities to include interest expense in the calculation of operating margin. In Order No. 92-84 issued by the PSC in the Midlands Utility, Inc. rate case (Docket No. 90-528-S) it states, "The Commission adopts the Staff's recommendation to synchronize the

1 Company's annualized interest expense to the debt portion of its rate base. Unlike its prior  
2 practice of prohibiting a water and/or sewer utility from recovering any interest expense  
3 from its rate payers, the Commission concludes that interest synchronization equitably  
4 allocates interest expense between investor and ratepayers." The order also sites previous  
5 water and sewer proceedings in which the PSC had approved interest synchronization  
6 including "Carolina Water Service, Inc., Wild Dunes, Inc., Woodland Utilities, Inc., Heater  
7 of Seabrook, Inc., Heater Utilities, Inc. and Lake Moultrie Water Company."

8 ORS has used interest synchronization to calculate the interest expense adjustment  
9 in water and wastewater operating margin rate cases including the recent Palmetto Utilities,  
10 Inc. (Docket No. 2017-228-S) and Kiawah Island Utility, Inc. (Docket No. 2016-222-WS)  
11 rate cases which were approved and ordered by the PSC.

12 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

13 **A.** Yes, it does.



1 - 17 PROVIDE THE METHODS, BASIS, AND ANY DOCUMENTATION  
SUPPORTING THE ALLOCATION OF PLANT IN SERVICE,  
OFFICE SPACE, SALARIES, INTEREST EXPENSE AND  
ANY OTHER EXPENSES BETWEEN SUBSIDIARIES, PARENT,  
OR AFFILIATED COMPANIES.  
INFORMATION SHOULD INCLUDE SQUARE FOOTAGE  
CUSTOMER UNITS, TIME SHEETS, OR OTHER DATA NEEDED  
TO SUPPORT THE ALLOCATION.

SQ. FT. OFFICE SPACE  
NUMEROUS SECTIONS IN OUR HOME ARE CONSISTANTLY  
USED TO PERFORM OFFICE DUTIES AS WELL AS PREPARATION  
FOR THE FIELD WORK.  
3RD BEDROOM (12' X 14') CONTAINS  
4 3 COPIERS - 1 PURCHASED BY MOORE PRINTS BILLING  
4.8 2 COPIERS - PURCHASED BY JANET T LLC TO  
1 PRINTS E-MAILS, REPORTS, LETTERS, ETC.  
1 PRINTS- CUSTOMER NOTICES, ETC.  
18 THE 6' X 3' CLOSET IS FOR FILING BILLINGS + DOCUMENTS.  
BILLING AND MAILING MATERIAL, ETC.  
4.8 ROOM CONTAINS A 4 DRAWER 3' X 18" FILING CABINET  
3.75 PLUS A SPACE FOR PLASTIC FILING BUCKETS 1 1/2 X 2 1/2'  
8 A 4' X 2' ADJUSTABLE HEIGHT WORK TABLE AND  
16.5 A LOVE SEAT USED TO ORGANIZE DOCUMENTS.  
  
LIVING ROOM 12' X 12'  
45 (2) 2DRAWER CABINETS W/A 4' TABLE 9'X5' SPACE  
12 4'X2' ADJUSTABLE HEIGHT TABLE -USED FOR LOW  
  
25 DINING ROOM TABLE AREA 5' X 5'  
  
12 SECTION OF KITCHEN ISLAND 3' X 4'  
  
154 TOTAL INDOOR USAGE  
100 PLUS A 10' X 10' HEATED & COOLED STORAGE ROOM  
254 TOTAL USAGE OF PERSONAL HOME

\$1,277.50 MONTHLY RENT

\$5.03 PER SQ. FT. WHEN ALL SPACE IS USED.  
10/ X 10' STORAGE ROOM USED SINCE 2015

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1 of 8 Next

## 1090 Bolling Springs Rd

Spartanburg, SC 29303 · Office For Lease

\$10.40 /SF/Yr

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(864) 580-

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Caine

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## Office Property For Lease

Rental Rate	\$10.40 /SF/Yr	Rentable Building Area	1,500 SF
Property Type	Office	Walk Score ®	23 (Car Dependent)
Building Class	C		
Find out more...			

Listing ID: 11354600

Date Created: 01/24/2018

Last Updated: 02/13/2018

## 1 Space Available

Display Rental Rate as Entered ▾

### 1st Floor

Rental Rate	\$10.40 /SF/Yr	Lease Term	1 - 5 Years
Service Type	Modified Gross	Date Available	Immediate
Space Available	1,500 SF	Space Use	Office
Space Type	Relet		

## Description

Lease rate: \$1,300/Month + Utilities. Available immediately. Reception, 4 offices, conference area, kitchen, storage and 2 restrooms. Hardwood floors in some areas. 2016 Traffic Count: 19,500 VPD.

## Attachments

By searching on LoopNet, you agree to the LoopNet Terms and Conditions.

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This Office Property is For Lease.

**1116 E Blackstock Rd**  
Moore, SC 29369 · Office For Lease

\$5.64 /SF/Yr

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Tim Satter  
(864) 342

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## Office Property For Lease

Rental Rate	\$5.64 /SF/Yr	Rentable Building Area	2,550 SF
Property Type	Office	Year Built	1972
Building Class	C	Walk Score	16 (Car-Dependent)
Find out more...			

Listing ID: 6219197

Date Created: 03/10/2017

Last Updated: 02/13/2018

## 1 Space Available

Display Rental Rate as Entered

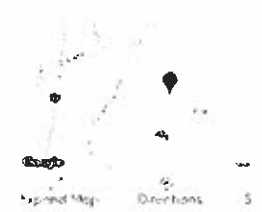
## 1st Floor

Rental Rate	\$5.64 /SF/Yr	Lease Term	Negotiable
Service Type	Modified Gross	Date Available	30 Days
Space Available	2,550 SF	Space Use	Office
Space Type	Relet		

\$1,200 per month 8 parking spaces, 1 covered space Located on busy road between Westgate Mall and Roebuck

## ATTACHMENTS

Marketing Brochure/Flyer



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This Office Property is For Lease.

**841 E Main St**

Spartanburg, SC 29302 - Office For Lease

**\$16.67 /SF/Yr**
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## Office Property For Lease

Rental Rate	\$16.67 /SF/Yr	Rentable Building Area	4,400 SF
Property Type	Office	Year Built	1966
Building Class	8	Walk Score	47 (Car Dependent)
Find out more...			

Listing ID: 6656024

Date Created: 04/06/2017

Last Updated: 07/13/2018



## 1 Space Available

Display Rental Rate as Entered

## 1st Floor

Rental Rate	\$16.67 /SF/Yr	Lease Term	Negotiable
Service Type	Modified Gross	Date Available	30 Days
Space Available	900 SF	Space Use	Office
Space Type	Relet		

\$1,250 per month Office space on E. Main Street. Current tenants include The Heights Hair Salon and Light Property Management. Onsite parking and signage available. Located between Converse College and Hillcrest area.

## ATTACHMENTS

Marketing Brochure/Flyer

Menu

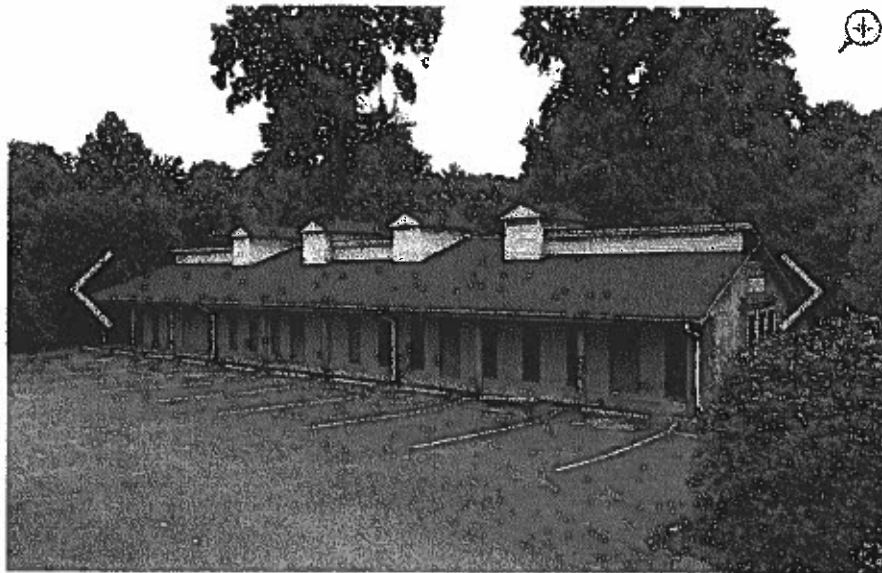


Sign In

This Retail Property is For Lease.

**141-149 Metro Dr\***

Spartanburg, SC 29303 · Retail For Lease

**\$12.00 /SF/Yr**
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 Tim Satter  
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**Retail Property For Lease**

Rental Rate	\$12.00 /SF/Yr	Rentable Building Area	3,600 SF
Property Type	Office	Year Built	1977
Building Class	C	Walk Score ®	39 (Car Dependent)
Find out more...			

Listing ID: 8909946

Date Created: 08/29/2017

Last Updated: 02/07/2018

**1 Space Available**

Display Rental Rate as Entered ▾

**1st Floor Ste 149 Metro Dr.**

Rental Rate	\$12.00 /SF/Yr	Lease Term	Negotiable
Service Type	Modified Grass	Date Available	Immediate
Space Available	1,250 SF	Space Use	Retail
Space Type	Retail		

- On site parking - Located outside City of Spartanburg between Spartanburg Regional Hospital and Milliken
- Convenient to Pine St., Asheville Hwy., Balling Springs Rd. (Hwy. 9) and I-85



ATTACHMENTS

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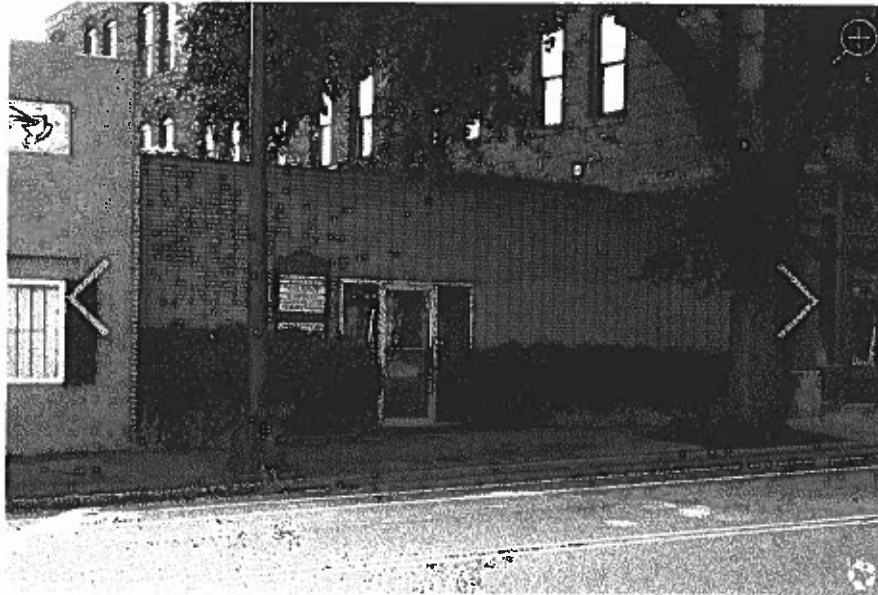
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This Office Property is For Lease.

## 251 Magnolia St

Spartanburg, SC 29306 · Office For Lease

\$19.80 - \$23.40  
/SF/Yr

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## Office Property For Lease

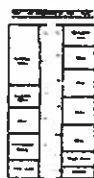
Rental Rate	\$19.80 - \$23.40 /SF/Yr	Rentable Building Area	3,344 SF
Property Type	Office	Year Built	1960
Building Class	8	Walk Score ®	68 (Somewhat Walkable)
Find out more			
Listing ID: 10887474	Date Created: 12/07/2017	Last Updated: 02/07/2018	

## 2 Spaces Available

Display Rental Rate as Entered ▾

## 1st Floor Ste 3

Rental Rate	\$23.40 /SF/Yr	Lease Term	Negotiable
Service Type	Full Service Gross	Date Available	Immediate
Space Available	180 SF	In Contiguous Block	605 SF on floor
Space Type	Relet	Space Use	Office



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Rental Rate	\$19.80 /SF/Yr	Lease Term	Negotiable
Service Type	Full Service Gross	Date Available	Immediate
Space Available	425 SF	In Contiguous Block	605 SF on floor
Space Type	Relet	Space Use	Office

## Description

Small Office Suites Available SF. Unit 1: +/-425 SF @ \$700/Month. Unit 5: +/-180 SF @ \$350/Month. (May be combined: +/- 605 SF @ \$1,050/Month). Lease Type: Gross. Conference room available. Internet available. Break Room. On site parking. Ideal for small business. Located across from the Courthouse in Downtown Spartanburg.

## Attachments

 5069\_251 Magnolia St. Flyer

## Amenities

Conferencing Facility

## Traffic

Collection Street	Cross Street	Traffic Vol	Year	Distance
Magnolia St	Walnut St. SE	2,400	2015	0.12 mi
E Daniel Morgan Ave	N Church St. SW	7,726	2016	0.16 mi
W Saint John St	N Spring St. NE	6,500	2015	0.19 mi
N Daniel Morgan Ave	W Saint John St. N	19,000	2016	0.22 mi
S 2	College St. W	3,400	2015	0.26 mi

## Public Transportation

Airport	Drive	Distance
Greenville-Spartanburg International Airport	26 min	20.6 mi

## Tim Satterfield's Other Listings



101 Sunset Dr  
Reebuck, SC 29376  
For Lease - \$4.69 /SF/Yr  
6,400 SF Building  
Flex



186 E Main St  
Spartanburg, SC 29306  
For Lease - \$14.00 /SF/Yr  
14,400 SF Building  
Storefront



141-149 Metro Dr  
Spartanburg, SC 29303  
For Lease - \$12.00 /SF/Yr  
3,600 SF Building  
Office



841 E Main St  
Spartanburg, SC 29302  
For Lease - \$16.67 /SF/Yr  
4,400 SF Building  
Office

## Statement

OPERATION DRAINS, INC

PO BOX 5532

SPARTANBURG, SC 29304

Date

7/31/2006

To:

MOORE SEWER, INC  
PO BOX 2753  
SPARTANBURG, SC 29304

		Amount Due	Amount Enc.		
		\$391,063 58			
Date	Transaction	Amount	Balance		
01/31/2004	01/31/04 22374 LINVILLE & MADERA 29369/01- INV #22374. Due 03/01/2004. Orig. Amount \$11,300.00	11,300.00	11,300.00		
06/02/2006	INV #FC 1201. Due 06/02/2006. Orig. Amount \$4,753.43. Finance Charge	4,753.43	16,053.43		
01/31/2005	01/31/05 25190 LINVILLE & MADERA 29369/01- INV #25190. Due 03/02/2005. Orig. Amount \$9,480.00.	9,480.00	25,533.43		
01/31/2006	01/31/06 25202 LINVILLE & MADERA 29369/01- INV #25202. Due 03/02/2006. Orig. Amount \$10,250.00.	10,250.00	35,783.43		
02/28/2004	02/28/04 22375 LINVILLE & MADERA 29369/01- INV #22375. Due 03/29/2004. Orig. Amount \$10,850.00.	10,850.00	46,633.43		
06/02/2006	INV #FC 1202. Due 06/02/2006. Orig. Amount \$4,414.32. Finance Charge	4,414.32	51,047.75		
02/28/2005	02/28/05 25191 LINVILLE & MADERA 29369/01- INV #25191. Due 03/30/2005. Orig. Amount \$9,480.00.	9,480.00	60,527.75		
02/28/2006	02/28/06 25203 LINVILLE & MADERA 29369/01- INV #25203. Due 03/30/2006. Orig. Amount \$15,300.00.	15,300.00	75,827.75		
03/04/2006	03/04/06 22892/37741 460 E BLCKSTCK QUAIL- INV #22892. Due 04/03/2006. Orig. Amount \$654.00.	654.00	76,481.75		
06/02/2006	INV #FC 1203. Due 06/02/2006. Orig. Amount \$29.03. Finance Charge	29.03	76,510.78		
CURRENT	1-30 DAYS PAST DUE	31-60 DAYS PAST DUE	61-90 DAYS PAST DUE	OVER 90 DAYS PAST DUE	Amount Due
8,300.00	8,654.00	56,381.58	11,054.00	306,674.00	\$391,063 58

NOTE: A FINANCE CHARGE OF 1 1/2% BEGAN TO APPLY TO PAST DUE INVOICES ON THE AUGUST 2005 STATEMENT.



## Statement

OPERATION DRAINS, INC

PO BOX 5532  
SPARTANBURG, SC 29304

Date

7/31/2006

To:

MOORE SEWER, INC  
PO BOX 2753  
SPARTANBURG, SC 29304

				Amount Due	Amount Enc.
				\$391,063.58	
Date	Transaction			Amount	Balance
03/31/2004 06/02/2006	03/31/04 22376 LINVILLE & MADERA 29369/01- INV #22376. Due 04/30/2004. Orig. Amount \$12,890.00. INV #FC 1204. Due 06/02/2006. Orig. Amount \$5,040.87. Finance Charge			12,890.00 5,040.87	89,400.78 94,441.65
03/31/2005	03/31/05 25192 LINVILLE & MADERA 29369/01- INV #25192. Due 04/30/2005. Orig. Amount \$9,220.00.			9,220.00	103,661.65
03/31/2006	03/31/06 25204 LINVILLE & MADERA 29369/01- INV #25204. Due 04/30/2006. Orig. Amount \$13,550.00.			13,550.00	117,211.65
04/09/2006 06/02/2006	04/09/06 22999/37866 1906 MARK CT 29301- INV #22999. Due 05/09/2006. Orig. Amount \$154.00. INV #FC 1205. Due 06/02/2006. Orig. Amount \$4.10. Finance Charge			154.00 4.10	117,365.65 117,369.75
04/30/2004 06/02/2006	04/30/04 22377 LINVILLE & MADERA 29369/01- INV #22377. Due 05/30/2004. Orig. Amount \$10,370.00. INV #FC 1206. Due 06/02/2006. Orig. Amount \$3,901.96. Finance Charge			10,370.00 3,901.96	127,739.75 131,641.71
04/30/2005	04/30/05 25193 LINVILLE & MADERA 29369/01- INV #25193. Due 05/30/2005. Orig. Amount \$9,220.00.			9,220.00	140,861.71
04/30/2006	04/30/06 25205 LINVILLE & MADERA 29369/01- INV #25205. Due 05/30/2006. Orig. Amount \$10,900.00.  05/31/04 22378 LINVILLE & MADERA 29369/01-			10,900.00	151,761.71
CURRENT	1-30 DAYS PAST DUE	31-60 DAYS PAST DUE	61-90 DAYS PAST DUE	OVER 90 DAYS PAST DUE	Amount Due
8,300.00	8,654.00	56,381.58	11,054.00	306,674.00	\$391,063.58

NOTE: A FINANCE CHARGE OF 1 1/2% BEGAN TO APPLY TO PAST DUE INVOICES ON THE AUGUST 2005 STATEMENT.

## Statement

OPERATION DRAINS, INC

PO BOX 5532

SPARTANBURG, SC 29304

Date

7/31/2006

To:

MOORE SEWER, INC  
PO BOX 2753  
SPARTANBURG, SC 29304

		Amount Due	Amount Enc.		
		\$391,063.58			
Date	Transaction	Amount	Balance		
05/31/2004	INV #22378. Due 06/30/2004. Orig. Amount \$9,980.00.	9,980.00	161,741.71		
06/02/2006	INV #FC 1207. Due 06/02/2006. Orig. Amount \$3,602.64. Finance Charge	3,602.64	165,344.35		
05/31/2005	05/31/05 25194 LINVILLE & MADERA 29369/01- INV #25194. Due 06/30/2005. Orig. Amount \$9,480.00.	9,480.00	174,824.35		
05/31/2006	05/31/06 25206 LINVILLE & MADERA 29369/01- INV #25206. Due 06/30/2006. Orig. Amount \$10,250.00	10,250.00	185,074.35		
06/20/2006	06/20/06 25216/38201 706 OLD FARM RD- INV #25216. Due 07/20/2006. Orig. Amount \$354.00.	354.00	185,428.35		
06/30/2004	06/30/04 22379 LINVILLE & MADERA 29369/01- INV #22379. Due 07/30/2004. Orig. Amount \$10,110.00.	10,110.00	195,538.35		
06/02/2006	INV #FC 1208. Due 06/02/2006. Orig. Amount \$3,500.00. Finance Charge	3,500.00	199,038.35		
06/30/2005	06/30/05 25195 LINVILLE & MADERA 29369/01- INV #25195. Due 07/30/2005. Orig. Amount \$12,200.00.	12,200.00	211,238.35		
06/30/2006	06/30/06 25207 LINVILLE & MADERA 29369/01- INV #25207. Due 07/30/2006. Orig. Amount \$8,300.00	8,300.00	219,538.35		
07/31/2004	07/31/04 22380 LINVILLE & MADERA 29369/01- INV #22380. Due 08/30/2004. Orig. Amount \$9,640.00.	9,640.00	229,178.35		
06/02/2006	INV #FC 1209. Due 06/02/2006. Orig. Amount \$3,189.92. Finance Charge	3,189.92	232,368.27		
CURRENT	1-30 DAYS PAST DUE	31-60 DAYS PAST DUE	61-90 DAYS PAST DUE	OVER 90 DAYS PAST DUE	Amount Due
8,300.00	8,654.00	56,381.58	11,054.00	306,674.00	\$391,063.58

NOTE: A FINANCE CHARGE OF 1 1/2% BEGAN TO APPLY TO PAST DUE INVOICES ON THE AUGUST 2005 STATEMENT.

## Statement

OPERATION DRAINS, INC

PO BOX 5532  
SPARTANBURG, SC 29304

Date

7/31/2006

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MOORE SEWER, INC  
PO BOX 2753  
SPARTANBURG, SC 29304

				Amount Due	Amount Enc.
				\$391,063.58	
Date	Transaction			Amount	Balance
07/31/2005	07/31/05 25196 LINVILLE & MADERA 29369/01- INV #25196. Due 08/30/2005. Orig. Amount \$12,200.00.			12,200.00	244,568.27
07/31/2006	07/31/06 25208 LINVILLE & MADERA 29369/01- INV #25208. Due 08/30/2006. Orig. Amount \$8,300.00			8,300.00	252,868.27
08/31/2004	08/31/04 22381 LINVILLE & MADERA 29369/01- INV #22381. Due 09/30/2004. Orig. Amount \$15,500.00.			15,500.00	268,368.27
06/02/2006	INV #FC 1210. Due 06/02/2006. Orig. Amount \$4,892.05. Finance Charge			4,892.05	273,260.32
08/31/2005	08/31/05 25197 LINVILLE & MADERA 29369/01- INV #25197. Due 09/30/2005. Orig. Amount \$12,200.00.			12,200.00	285,460.32
09/30/2004	09/30/04 22382 LINVILLE & MADERA 29369/01- INV #22382. Due 10/30/2004. Orig. Amount \$10,600.00.			10,600.00	296,060.32
06/02/2006	INV #FC 1211. Due 06/02/2006. Orig. Amount \$3,188.71. Finance Charge			3,188.71	299,249.03
09/30/2005	09/30/05 25198 LINVILLE & MADERA 29369/01- INV #25198. Due 10/30/2005. Orig. Amount \$12,200.00.			12,200.00	311,449.03
10/31/2004	10/31/04 22383 LINVILLE & MADERA 29369/01- INV #22383. Due 11/30/2004. Orig. Amount \$13,750.00.			13,750.00	325,199.03
06/02/2006	INV #FC 1212. Due 06/02/2006. Orig. Amount \$3,926.10. Finance Charge			3,926.10	329,125.13
CURRENT	1-30 DAYS PAST DUE	31-60 DAYS PAST DUE	61-90 DAYS PAST DUE	OVER 90 DAYS PAST DUE	Amount Due
8,300.00	8,654.00	56,381.58	11,054.00	306,674.00	\$391,063.58

NOTE: A FINANCE CHARGE OF 1 1/2% BEGAN TO APPLY TO PAST DUE INVOICES ON THE AUGUST 2005 STATEMENT

## Statement

OPERATION DRAINS, INC

PO BOX 5532

SPARTANBURG, SC 29304

Date

7/31/2006

To:

MOORE SEWER, INC  
PO BOX 2753  
SPARTANBURG, SC 29304

Amount Due

Amount Enc.

\$391,063.58

Date	Transaction	Amount	Balance		
10/31/2005	10/31/05 25199 LINVILLE & MADERA 29369/01- INV #25199. Due 11/30/2005. Orig. Amount \$13,750.00.	13,750.00	342,875.13		
11/30/2004	11/30/04 22384 LINVILLE & MADERA 29369/01- INV #22384. Due 12/30/2004. Orig. Amount \$12,000.00.	12,000.00	354,875.13		
06/02/2006	INV #FC 1213. Due 06/02/2006. Orig. Amount \$3,248.88. Finance Charge	3,248.88	358,124.01		
11/30/2005	11/30/05 25200 LINVILLE & MADERA 29369/01- INV #25200. Due 12/30/2005. Orig. Amount \$12,000.00.	12,000.00	370,124.01		
12/31/2004	12/31/04 22385 LINVILLE & MADERA 29369/01- INV #22385. Due 01/30/2005. Orig. Amount \$9,550.00.	9,550.00	379,674.01		
06/02/2006	INV #FC 1214. Due 06/02/2006. Orig. Amount \$2,439.57. Finance Charge	2,439.57	382,113.58		
12/31/2005	12/31/05 25201 LINVILLE & MADERA 29369/01- INV #25201. Due 01/30/2006. Orig. Amount \$8,950.00.	8,950.00	391,063.58		
CURRENT	1-30 DAYS PAST DUE	31-60 DAYS PAST DUE	61-90 DAYS PAST DUE	OVER 90 DAYS PAST DUE	Amount Due
8,300.00	8,654.00	56,381.58	11,054.00	306,674.00	\$391,063.58

NOTE: A FINANCE CHARGE OF 1 1/2% BEGAN TO APPLY TO PAST DUE INVOICES ON THE AUGUST 2005 STATEMENT.

Moore Sewer, Inc. Docket No. 2016-384-S  
 Computation of Interest Expense  
 For the Test Year Ended December 31, 2016

### Sewer Operations

Description	Capital Structure	Ratio	Application Per Books				After Accounting and Pro forma Adjustments				After Applicant's Proposed Increase			
			Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
Long-Term Debt	\$ 56,500	50.00%	40.415	3.00%	1.50%	1,212	88,900	3.00%	1.50%	2,667	88,900	3.00%	1.50%	2,667
Members' Equity	56,500	50.00%	40.415	121.46%	-60.73%	(49,089)	88,900	-2.76%	-1.38%	(2,455)	88,900	111.65%	55.82%	99,255
Totals	\$ 113,000	100.00%	80,829		-59.23%	(47,877)	177,799		(1.12%)	212	177,799		57.32%	101,922